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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

SECURITY5, LLC, a Delaware
limited liability company,

Plaintiff,

v.

REVOLAR, INC, a Delaware
corporation; and DOES 1 through
100, inclusive,

Defendants.

Case No. 16-cv-1645 DMS (JLB)

**ORDER GRANTING
PLAINTIFF’S MOTION TO
STAY**

This case comes before the Court on Plaintiff Security5, LLC’s motion to stay proceedings pending its request for *ex parte* reexamination of the patent-in-suit by the United States Patent and Trademark Office (“PTO”). Defendant Revolar, Inc. filed an opposition to the motion, and Plaintiff filed a reply. For the reasons discussed below, the motion is granted.

**I.
BACKGROUND**

On June 28, 2016, Plaintiff filed this action against Defendant, alleging one claim of infringement of the United States Patent Number 7,907,931 (“’931 Patent”). On February 9, 2017, Defendant filed a First Amended Answer and Counterclaims. In the Counterclaims, Defendant asserts claims for declaratory judgment of

1 noninfringement, and invalidity and unenforceability of Plaintiff's patent. On March
2 2, 2017, Plaintiff filed an Answer to the Counterclaims.

3 The initial case management conference occurred on January 25, 2017, during
4 which the Court scheduled the claim construction hearing on June 12, 2017. Plaintiff
5 has served on Defendant its infringement contentions, and Defendant has served on
6 Plaintiff its invalidity contentions. On April 12, 2017, Plaintiff filed a request for *ex*
7 *parte* reexamination of the '931 Patent with the PTO. The request cited 32 prior art
8 references identified in Defendant's invalidity contentions. Because these prior art
9 references were not previously considered by the PTO, Plaintiff exercised its right
10 to seek reexamination of the '931 Patent pursuant to 35 U.S.C. § 302. On the next
11 day, Plaintiff filed the instant motion to stay these proceedings pending
12 reexamination by the PTO.

13 II.

14 DISCUSSION

15 "Courts have inherent power to manage their dockets and stay proceedings,
16 including the authority to order a stay pending conclusion of a PTO reexamination."
17 *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (citations omitted).
18 District courts in the Ninth Circuit consider the following three factors in
19 determining whether to stay an action pending reexamination: "(1) the stage of
20 litigation; (2) whether a stay would cause undue prejudice or present a clear
21 disadvantage to the non-moving party; and (3) whether a stay will simplify the issues
22 in question and the trial of the case.'" *Palomar Techs., Inc. v. Mersi Sys., LLC*, No.
23 15-CV-1484 JLS (KSC), 2016 WL 4496839, at *1 (S.D. Cal. June 14, 2016)
24 (quoting *Sorensen v. Giant Int'l (USA) Ltd.*, Nos. 07cv2121 et al., 2009 WL
25 5184497, at *2 (S.D. Cal. Dec. 21, 2009)).

26 A. Stage of Litigation

27 The first factor looks to the stage of the litigation. Clearly, this case is not in
28 its infancy. The parties have already invested significant time and effort by

1 completing their preliminary infringement and invalidity contentions, and discovery
2 related to claim construction. They have also submitted their joint claim
3 construction chart, worksheet, and hearing statement. The claim construction
4 hearing is set for June 12, 2017, and trial is scheduled for April 23, 2018. The case,
5 however, “has not advanced to the point of a claim construction decision, assessment
6 of the merits, trial, or other ‘point of no return.’” *Netlist, Inc. v. Smart Storage Sys.,*
7 *Inc.*, No. 13-CV-5889-YGR, 2014 WL 4145412, at *2 (N.D. Cal. Aug. 21, 2014).
8 There is much work still to do in the case. The parties have yet to conduct fact and
9 expert discovery. Once claim construction is complete, summary judgment motions
10 also will be filed according to Defendant, which will require significant time and
11 effort. Thus, although the case has progressed past the initial stages, it is not so
12 advanced that a stay is inappropriate. *See Tierravision, Inc. v. Google, Inc.*, No.
13 11CV2170 DMS BGS, 2012 WL 559993, at *2 (S.D. Cal. Feb. 21, 2012).
14 Accordingly, this factor weighs in favor of a stay.

15 **B. Undue Prejudice or Clear Disadvantage to Defendant**

16 The next factor is whether a stay would unduly prejudice or present a clear
17 disadvantage to Defendant. Defendant contends it will suffer undue prejudice if the
18 Court grants a stay. In support, Defendant relies on three cases where the courts
19 denied the plaintiffs’ motion to stay pending reexamination. These cases, however,
20 are distinguishable from the present case. The courts there found that a stay would
21 prejudice the defendants, largely because the plaintiffs delayed filing their request
22 for reexamination with the PTO until litigation had progressed well into discovery
23 or the completion of discovery. *See Gladish v. Tyco Toys, Inc.*, No. CIV.S-92-
24 1666WBS/JFM, 1993 WL 625509, at *2–3 (E.D. Cal. Sept. 15, 1993); *Jain v.*
25 *Trimas Corp.*, No. CIV.S-04-0889 FCDPAN, 2005 WL 2397041, at *2–3 (E.D. Cal.
26 Sept. 27, 2005); *Wayne Automation Corp. v. R.A. Pearson Co.*, 782 F. Supp. 516,
27 518–19 (E.D. Wash. 1991). Moreover, in *Gladish* and *Jain*, the plaintiffs displayed
28 a lack of good faith by requesting reexamination more than six months after

1 receiving the prior art which was the basis of their request for reexamination.¹ In
2 contrast, this is not a case where the party seeking a stay delayed filing its request
3 for reexamination, let alone delayed until litigation had progressed well into
4 discovery. The parties have only engaged in discovery pertaining to claim
5 construction and have yet to engage in any fact or expert discovery. Moreover,
6 Plaintiff filed the request for reexamination within 30 days of receiving notice of the
7 prior art.²

8 Defendant argues it will suffer a clear tactical disadvantage if the Court grants
9 a stay. Indeed, Plaintiff's election to wait until after receiving Defendant's invalidity
10 contentions to file the request for reexamination, which incorporates all the prior art
11 references identified therein, raises the inference that the timing of the request is
12 tactically driven. If the stay is granted and the PTO grants the reexamination request,
13 Defendant's invalidity defenses will, in essence, first be heard by the PTO during an
14 *ex parte* proceeding, the prior art identified in Defendant's invalidity contentions
15 will be cited in the '931 Patent should it survive reexamination, and the reissue patent
16 will in effect be shielded from invalidity challenges based on those prior art
17 references. *See Luv N' Care, Ltd. v. Jackel Int'l Ltd.*, No. 2:14-CV-00855-JRG,
18 2015 WL 2352898, at *3 (E.D. Tex. May 15, 2015). Because a stay would result in
19 a clear tactical disadvantage to Defendant, this factor weighs against a stay.

21 ¹ In *Gladish*, the court also denied the plaintiff's motion for a stay, reasoning the
22 plaintiff forced defendant "to expend time and money in responding to a motion for
23 preliminary injunction and a motion for sanctions[.]" *Gladish*, 1993 WL 625509, at
24 *3. Moreover, in *Jain*, the court also found that a stay would put the defendant at a
25 clear tactical disadvantage because the defendant had filed a motion for summary
26 judgment and the plaintiff filed the motion to stay approximately four months before
27 trial. *Jain*, 2005 WL 2397041, at *3.

28 ² Although Defendant contends "the patentee knew of at least several of the prior art
references listed in Security5's request for reexamination for ***well over a decade***[.]"
it has not properly supported its assertion with convincing evidence nor does it
identify the specific prior art references of which Plaintiff was aware. (Mem. of P.
& A. in Opp'n of Mot. at 10.)

1 **C. Simplification**

2 The final factor for consideration is whether a stay will simplify the issues and
3 streamline the litigation. The Court has already granted a stay upon joint motion of
4 the parties in a related case pending a reexamination request of the same patent-in-
5 suit.³ If the Court declines to stay this case and the PTO grants Plaintiff's request
6 for reexamination, this could result not only in inconsistencies in the Court's rulings
7 (staying one case and not the other), but also inefficient and unnecessary expenditure
8 of the Court's resources and further complicate the proceedings in the two cases.
9 For example, the Court may end up construing the original '931 Patent at the
10 upcoming claim construction hearing in the present case and, when the PTO issues
11 a final decision in the reexamination proceedings, construing both the original and
12 reissue patents in the two cases. Moreover, if the PTO grants the request for
13 reexamination, Plaintiff may renew its request to stay, which will result in additional
14 briefing by the parties and require the Court to address again whether a stay would
15 be appropriate. "The risk of delay attending a potentially unnecessary stay is rather
16 minimal relative to the risk of unnecessary expenditure of the Court and the parties'
17 resources should the stay be denied and a review subsequently commence." *Prime*
18 *Focus Creative Servs. Canada Inc. v. Legend3D, Inc.*, No. CV-15-2340-MWF
19 (PLA), 2015 WL 12746207, at *4 (C.D. Cal. Sept. 23, 2015) (citing *Wonderland*
20 *Nursery Goods Co. v. Baby Trend, Inc.*, No. EDCV 14-01153-VAP, 2015 WL
21 1809309 (C.D. Cal. Apr. 20, 2015)). Therefore, the interests of judicial economy
22 and efficient case management will be better served by a stay. Accordingly, this
23 factor weighs in favor of a stay.

24 **III.**

25 **CONCLUSION**

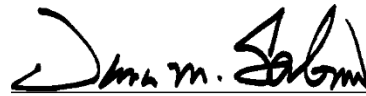
26 Considering the factors discussed above, the Court grants Plaintiff's motion
27

28 _____
³ *Security5, LLC v. VSN Mobil, Inc.*, 16-cv-1431 DMS (RBB).

1 to stay this case pending the reexamination proceedings. Should the PTO deny
2 Plaintiff's request for *ex parte* reexamination or grant the request and issue a final
3 decision in the reexamination proceeding, the parties shall request to lift the stay so
4 this case may proceed.

5 **IT IS SO ORDERED.**

6 Dated: June 2, 2017



Hon. Dana M. Sabraw
United States District Judge